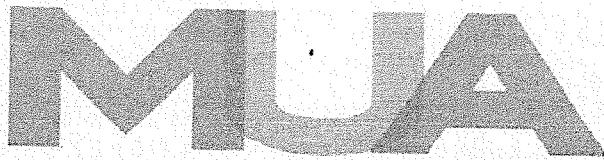


The
Management
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

BML 108 : MANAGERIAL ACCOUNTING

DATE: 4TH AUGUST 2016

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

- a) Define the following terms:
- i) Marginal cost of capital (2marks)
 - ii) Share (2marks)
 - iii) Dividends (2marks)
- b) State 5 disadvantages of using ordinary share capital (5marks)
- c) Highlight five distinguishing features of primary and secondary markets (5marks)
- d) Define and explain any three classifications of investments (6marks)
- e) What do you understand by the term weighted average cost of capital (3marks)

QUESTION TWO

Bethel Company manufactures two products; alpha and beta which are produced by department 1 and 2 respectively. The following information is available for 2014

- i. Standard material and labor costs:

Material X	Ksh 7.20 per unit
Material Y	Ksh 16.00 per unit
Direct labor per hour	Ksh. 12.00

- ii. Overhead is recovered on a direct labor hour basis
- iii. The standard material and labor usage for each product are as follows:

	alpha	beta
Material X	10 units	8 units
Material Y	5 units	9 units
Direct labor	10 hrs	15 hrs

iv. Finished products:

	alpha	beta
Forecast sales (units)	8,500	1,600
Selling price per unit (Ksh)	400	560
Required ending inventory(units)	1,870	90
Beginning inventory(units)	170	85

v. Direct material:

	Material X	Material Y
Beginning inventory	8,500	8,000
Required ending inventory	10,200	1,700

vi. Budgeted variable overhead rates per direct labor hour:

	Dept 1(Ksh)	Dept 2(Ksh)
Indirect materials	1.20	0.80
Indirect labor	1.20	1.20
Power (variable portion)	0.60	0.40
Maintenance(variable portion)	0.20	0.40

vii. Budgeted fixed overheads:

	Dept 1(Ksh)	Dept 2(Ksh)
Depreciation	100,000	80,000
Supervision	100,000	40,000
Power (variable portion)	40,000	2,000
Maintenance(variable portion)	45,600	3,196

viii. Estimated non-manufacturing overheads:

	(Ksh)
Administration - stationary etc	4,000
Salaries: -Sales	74,000
-Office	28,000
Commissions	60,000
Vehicle expenses(sales)	22,000
Advertising	80,000
Miscellaneous (office)	8,000
Total	276,000

ix. Budgeted cash flows:

	Quarter 1	Quarter 2	Quarter 2	Quarter 2
	(Ksh)	(Ksh)	(Ksh)	(Ksh)
Receipts from customers	1,000,000	1,200,000	1,120,000	985,000
Payments: Materials	400,000	480,000	440,000	547,984
Payments for wages	400,000	440,000	480,000	646,188
Other costs & expenses	120,000	100,000	72,016	13,642

x. The balance sheet for the previous year end 2013 was as follows:

	Ksh	Ksh	Ksh
Fixed assets: Land		170,000	
Buildings and equipment	1,292,000		
Less depreciation	<u>255,000</u>	<u>1,037,000</u>	<u>1,207,000</u>
Current asset: Stocks -Finished goods	99,076		
-Raw materials	189,200		
Debtors	289,000		
Cash	<u>34,000</u>		
	611,276		
Less current liabilities: Creditors	<u>248,800</u>		<u>362,476</u>
Net assets			<u>1,569,476</u>
Represented by Shareholder's Funds:			
1,200,000 ordinary shares f Ksh 1 each		1,200,000	
Reserves		<u>369,467</u>	<u>1,569,476</u>

Required:

Prepare a master budget for the year 2014 and the following budgets.


- i. Sales budget
- ii. Production budget
- iii. Direct material usage budget
- iv. Direct material purchase budget
- v. Direct labor budget
- vi. Factory overhead budget

vii. Selling and administration budget

viii. Cash budget

(15 marks)

QUESTION THREE

 a) Describe three uses of Ratios in an organization giving an example of each.

(3 marks)

b) The following information relates to the books of Bonda Mali Investments Ltd

GOROFA INVESTMENTS LTD Balance Sheets as of December 31, 1999 and 2000		
Assets	1999	2000
CURRENT ASSETS		
Cash	84	98
Accounts receivable	165	188
Inventory	393	422
Total	642	708
FIXED ASSETS		
Net plant and equipment	2731	2880
Total Assets	3373	3588
Liabilities and Owner's equity		
Current Liabilities		
Accounts Payable	312	344
Notes Payable	231	196
Total	543	540
Long term debt		
Owners equity		
Common stock and paid in surplus	500	550
Retained earning	1799	2041
Total	2299	2591
Total liabilities and owners equity	3373	3588

You are required to calculate the following ratios for each of the two years:

- | | | |
|------|--------------------------|----------|
| i) | Current ratio | (2marks) |
| ii) | Quick ratio | (2marks) |
| iii) | Total debt ratio | (2marks) |
| iv) | Times interest earned | (2marks) |
| v) | Inventory turnover ratio | (2marks) |
| vi) | Return on equity | (2marks) |

QUESTION FOUR

- a) A project costs Sh. 16,200 and is expected to generate the following inflows:

	Sh. "000"
Year 1	8,000
Year 2	7,000
Year 3	6,000

Required:

- i. Compute the NPV of this venture, *if entered out of 10% is* (5 Marks)
 - ii. Compute the IRR if the cost of this capital is 10% (5 Marks)
- b) Outline the five major disadvantages of NPV (5 Marks)

QUESTION FIVE

- a) Explain why standard costs are often used in variance analysis. (3 marks)
- b) AIYEBO Enterprise manufactures food products. The following details were provided regarding the production of the product in a given month:

Standard cost per Unit

Material 60kgs @ kshs.48 per kg

Labour 480 hours @ kshs.8 per hour

Actual Cost for the Month

Materials 5900 kgs @kshs.50 per kg

Labour 47500 hours @kshs.9 per hour

Actual production 100 units

Required:

- i. Material price Variance (3 Marks)
- ii. Material Usage Variance (3 Marks)
- iii. Labour Usage Variance (3 marks)
- iv. Labour Efficiency Variance (3 marks)

QUESTION SIX

- a) State and explain five assumptions of Cost -Volume -Profit (CVP) analysis. (10 marks)
- b) Explain CVP analysis in decision making and how sensitivity analysis helps managers cope with uncertainty. (5 marks)